

THE WATCHDOG

A Periodic Newsletter from
The Office of the United States Trustee - Region 16

February 5, 2002
Issue No. 8

CIVIL ENFORCEMENT EMPHASIS EXPANDS FURTHER

"The United States Trustee Program has launched an initiative to more aggressively use existing civil enforcement methods to curb abuse of the bankruptcy system," Martha Davis, Acting Director of the Executive Office for United States Trustees, announced last October.

"Effective case administration is vital to ensure the American public that the bankruptcy system provides relief for honest but unfortunate debtors overcome by serious financial difficulties," Davis stated. "The Civil Enforcement Initiative emanates from the U.S. Trustee Program's long-standing commitment to enforce the Nation's bankruptcy laws and explore other meaningful strategies to bolster public confidence in the integrity and effectiveness of the bankruptcy system."

These are the priorities of the Civil Enforcement Initiative:

- **Ensuring that Chapter 7 is not abused and that Chapter 7 debtors are held accountable.**

Chapter 7 debtors who do not comply with the law will have their cases converted or dismissed, or their bankruptcy discharges denied or revoked. Enforcement measures

include motions to dismiss Chapter 7 cases under 11 U.S.C. §§ 707(a) and 707(b), and complaints to bar or defer discharge under 11 U.S.C. § 727.

- **Protecting consumer debtors, creditors, and others who are victimized by those who mislead or misinform debtors, make false representations in connection with a bankruptcy case, or otherwise abuse the bankruptcy process.**

Attorneys and bankruptcy petition preparers (non-attorneys who prepare bankruptcy documents for a fee) must engage in full disclosure, be free of conflicts of interest, and engage in ethical practices. Enforcement measures include motions for sanctions, contempt of court, and disgorgement under 11 U.S.C. § 329 for misconduct by attorneys, and complaints and motions under 11 U.S.C. § 110 for misconduct by bankruptcy petition preparers.

- **Ensuring that Chapter 11 debtors proceed with their cases promptly, and are informed of and held to account for their obligations under the Bankruptcy Code.**

Enforcement measures include Initial Debtor Interviews and motions to convert or dismiss Chapter 11 cases under 11 U.S.C. § 1112.

- **Fighting fraud and abuse by making criminal referrals and assisting United States Attorneys in criminal prosecutions.**

As part of our ongoing efforts in the Central District of California to protect and uphold the

integrity of the bankruptcy system, a system designed for honest debtors to obtain a fresh start, the U.S. Trustee's Office in this district has commenced a more comprehensive approach to screening cases of substantial abuse under 11 U.S.C. Section 707(b). While the obvious goal of this project is to detect abusive chapter 7 filings, we believe that it will also lead to the filing of more accurate petitions, schedules, and statement of financial affairs.

In addition to the increased scrutiny under section 707(b), the office has increased its review of pro se filings to detect undisclosed bankruptcy petition preparers. We have also increased our emphasis on preventing the unauthorized practice of law by unlicensed bankruptcy petition preparers. For a comprehensive report on bankruptcy petition preparers and the unauthorized practice of law, please see L.A. County Bar Association's website, Commercial Law and Bankruptcy Section page at: <http://www.lacba.org>"MACROBUTTONHt mlResAnchorwww.lacba.org.

DEBTOR IDENTIFICATION PROJECT

Starting February 16, 2002, every individual appearing at a meeting of creditors in a personal bankruptcy case in the Central District of California will be required to show photographic identification and proof of Social Security number (SSN).

In January, the U.S. Trustee Program began to phase in the debtor identification requirement nationwide, based upon the findings of a six-month pilot program it conducted in 2001. The U.S. Trustee Program is a Justice Department component that works to ensure the integrity of the bankruptcy system and intervenes in court to enforce the bankruptcy laws.

Individuals filing for personal bankruptcy will be required to provide photographic proof of identity and SSN when they appear at the statutorily-mandated Section 341 meeting of creditors to discuss their financial obligations. Permissible forms of identification (ID) include a valid state driver's license, U.S. passport, government-issued picture ID card, state-issued picture ID card, student picture ID card, military ID card, or legal resident alien card. Proof of SSN may be provided through documents such as a driver's license, Social Security card, current Internal Revenue Service W-2 Form, payroll check stub, medical insurance card, Internal Revenue Service Form 1099, or Social Security Administration Report. Other forms of identification or proof of SSN may be accepted at the discretion of the U.S. Trustee.

The Office of the U.S. Trustee conducted the pilot program to require individual debtors to provide identification in 18 judicial districts during the first half of 2001. The pilot program found inaccurate names or SSNs in 1,225 Chapter 7 and Chapter 13 cases – about one percent of the pilot cases – according to a report issued in December 2001 by the Executive Office for U.S. Trustees in Washington, D.C. Just over 80 percent of the inaccuracies were due to typographical errors such as transposition of digits in an SSN, but the rest involved questionable names, questionable identity documents, or possible misuse or falsification of SSNs.

The 22-page report plus appendices are posted on the U.S. Trustee Program's website at: <http://www.usdoj.gov/ust/otherinitiatives/debtorid/report.html>.

SENTENCINGS

KEITH O'NEIL PERRY SENTENCED TO 5-YEARS IMPRISONMENT, \$2,871,400 IN RESTITUTION, AND 3-YEARS PROBATION

Keith O'Neil Perry, 45, a physician who operated several medical clinics in South-Central Los Angeles, was convicted in March 2000 after an eight-day jury trial of federal charges involving fraudulent schemes that cost millions of dollars to government programs. Perry was charged with bankruptcy fraud, mail fraud, wire fraud, and falsification of statements to the Department of Health & Human Services. Perry failed to disclose in his bankruptcy filings five previous bankruptcies and a \$300,000 bank account he held jointly with his father.

On October 22, 2001, Judge Terry J. Hatter, Jr. sentenced Perry to five years of imprisonment, \$2,871,400 in restitution, and three years of probation. AUSAs Paul Rochmes and Steve Linick handled the case with the investigative support of the Department of Health & Human Services, Defense Contractor Investigation Service, Internal Revenue Service, U.S. Postal Service, FBI, and the California Bureau of Medical Fraud. Staff from the Office of the U.S. Trustee (OUST) and trustees F. Wayne Elggren and Nancy K. Curry testified.



CARR SENTENCED FOR IDENTITY THEFT

The last issue of The Watchdog covered the guilty plea on April 26, 2001 of **Terry Lee Carr, a.k.a. Terry Collier**. Carr, 41, knowingly and fraudulently filed a



bankruptcy using another individual's identity to delay eviction proceedings. On November 26, 2001, Judge Alicemarie H. Stotler sentenced Carr to three-years probation and payment of \$7,000 in restitution. AUSA Linda Aouate and FBI Special Agent Tom Reitz worked this case together.

JACKSON SENTENCED FOR MAKING FALSE STATEMENTS

On December 3, 2001, Judge Lourdes Baird sentenced **Steven Jackson**, 39, to one year of probation, \$21,100 in restitution, and a \$2,000 fine. Jackson made false statements in a bankruptcy by failing to list a vehicle. The team on this case was SAUSA Sandra Klein and FBI Special Agent Randall Devine.



OUST ANALYST ASSISTS WITH OBTAINING PLEA IN EMBEZZLEMENT CASE

Dennis Strayhan, Analyst with the Office of the U.S. Trustee, Central District of California, worked with a team of analysts from throughout the nation to assist the U.S. Trustee's Office in New Orleans, Louisiana, in piecing together evidence for the prosecution of **Laura Uli Lee**, Chapter 7 Panel Trustee, and her husband. They were charged with embezzling approximately \$907,000 from six bankruptcy estates and diverting about \$367,000 from estates to cover up the embezzlement. In early November 2001, the defendants pled guilty.

DALLALBASHI, A.K.A. MAGNET, A.K.A. ESFAHANI PLEAS

Hossein Dallalbashi, 59, of Los Angeles, filed bankruptcy under the name of **Javier Planck Magnet**. He has also assumed the name of **Hossein D. Esfahani**. In his bankruptcy he used a false Social Security number, filed under a fictitious name, and did not disclose his other aliases. Dallalbashi was indicted on October 30, 2001 and pled guilty on January 14, 2002 to making false statements and to using a false Social Security number in a bankruptcy. AUSA Angela Davis handled this matter and FBI Special Agent Eulondra Rowe took care of the investigation.

REGEN PLED AFTER FILING MULTIPLE BANKRUPTCIES & FORGING A JUDGE'S SIGNATURE

In our last issue we discussed the case of **Stephen Jeffrey Regen**. Regen, 39, of Tarzana, filed multiple bankruptcies as a scheme to defraud in order to delay foreclosure proceedings against his property. In addition, he forged a judge's signature and impersonated a federal officer or employee. On September 17, 2001, Regen pled guilty to the charges. The prosecutor was Ranee Katzenstein. FBI Special Agent Norma Ballard and IRS Special Agent Carlos Tropea teamed up for the investigation.

VIDELA EXAGGERATES EXPENSES

On October 30, 2001, an information was filed against **Gabriel Videla**, 57, of Thousand Oaks, for falsifying documents in a bankruptcy. Videla created fraudulent invoices for goods and services never received by R.M. Envelopes & Printing Co., Inc., Videla's solely-owned company. The invoices indicated that R.M. Envelopes had paid cash to the vendors. Videla wrote checks to himself drawn on the R.M.

Envelope's account for the amount of the invoices. Videla pled guilty on December 10, 2001. SAUSA Sandy Klein and FBI Special Agent Chad Muxworthy worked this case together.

INDICTMENTS

FEDERAL AUTHORITIES FILE A NUMBER OF CRIMINAL FRAUD CASES IN 2001 - PREDOMINANTLY FOR IDENTITY THEFT

The United States Attorney's Office in Los Angeles announced the filing of a number of bankruptcy fraud cases in 2001 involving plots to avoid foreclosure by filing fraudulent bankruptcy petitions, making false statements to the bankruptcy court, concealing assets in a bankruptcy - but most significantly fraud involving identity theft. Some of the more recent cases that were included in this announcement are discussed below.

An indictment was filed against **Linda Lane Clark**, 45, of Gardena, on October 30, 2001 for stating a false Social Security number on her bankruptcy petition. John Webb, SAUSA, handled this case with the investigative assistance of FBI Special Agent Jason Smolanoff.

On October 24, 2001, **Miguez Diaz**, 39, of Anaheim, was indicted for using a false Social Security number and making a false statement in a bankruptcy. According to the indictment, Diaz filed a bankruptcy petition in May 1998 using someone's Social Security number other than his own. SAUSA John Webb prosecuted this case and FBI Special Agent Barbara Klein investigated.

Michael Lowe, 45, of Oceanside, California, substantially understated his income in his bankruptcy filing during 1999. Lowe was indicted on October 30, 2001. AUSA Stephen Kramer and FBI Special Agent Barbara Kline were the team on this case.

On September 21, 2001, **Michael G. Von Salm**, 55 of Playa del Rey, was indicted for using a false Social Security number in a bankruptcy. AUSA Angela Davis and FBI Agent Mark O'Brien handled this matter.

ATTORNEY (and PSEUDO ATTORNEY) ACTIONS

Trial Attorney Joe Caceras, Office of the U.S. Trustee, testified for the District Attorney's Office in the case of People vs. Jack Lee Gates. The defendant was charged with theft crimes and practicing law without a license. Gates represented to a couple that he was an attorney, took approximately \$54,000 from them over the course of three years, and filed a series of eight chapter 13 cases, alternating between husband and wife. Gates promised the couple that he would make their mortgage payments and file their bankruptcy. Instead he filed the petitions and kept the mortgage funds for himself. All eight cases were dismissed. Joe assisted the prosecutor, Leslie Kenyon, Deputy District Attorney, by testifying on the bankruptcy issues raised by the defendant's conduct in filing these chapter 13 cases as well as noncompliance with the requirements of the local rules and practices. Gates was convicted on October 22, 2001 and is awaiting sentencing.

Attorney **Belinda Blacketer** filed a chapter 7 bankruptcy petition on June 8, 2001 and

listed her occupation as self-employed with a \$1,700 monthly income. Ms. Blacketer, however, started a job as an attorney with Glenn County just three days after filing bankruptcy. Her gross monthly income then was \$7,899. At her initial meeting of creditors, the debtor completed a form, under penalty of perjury, indicating she had no change in employment or income. Betty Freeman, debtor's attorney, confirmed at this meeting that she had been aware of the debtor's change in employment status. Upon an application for an order to show cause by the UST, Judge Robert W. Alberts sanctioned both Ms. Blacketer and Ms. Freeman, ordered they both complete CLE legal ethics courses, and required each to perform 50 hours of community service. Ms. Freeman was to serve as a Court Appointed Special Advocate for Orange County as her community service. Handled by Art Marquis, Assistant U.S. Trustee & Nancy Shapiro, Trial Attorney.

Randy Gruen was found to have violated numerous rules of professional conduct, including aiding in the unauthorized practice of law. Gruen was employed by a non-attorney and although his name appears on petitions as attorney of record, he had no actual contact with clients. Judge Kathleen March ordered him to disgorge his fees. (Handled by Ron Maroko.)

Attorney **Steven Rodriguez** received approval for a \$2,000 fee application in a bankruptcy, yet filed a proof of claim for \$2,000 as well. Upon motion made by trustee Nancy Curry, Judge Bufford disallowed the proof of claim order on October 25, 2001.

SUBSTANTIAL ABUSE FILINGS

The U.S. Trustee brought over two hundred 707(b) motions in 2001. Some of the highlights are as follows.

⇒ Mario and Sally Azernitsky had more than \$1,500 in monthly discretionary income which would be sufficient to fund a plan to pay 100% of their unsecured debt. In addition, the debtors had taken several unreasonable deductions including expensive automobiles for themselves and their daughter. Judge Lax granted the motion to dismiss. Handled by MaryAnne Wilsbacher, Trial Attorney.

⇒ Andres Buenos filed an individual chapter 7 case showing that he had available disposable income and listing an expense of \$820 each month for his "wife's credit cards." The income from excluding his wife's credit card expenses alone would pay 69% of the scheduled debts. The debtor converted to a chapter 13. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

⇒ Karen Faye had \$1,381 in disposable income per month, enough to fund a chapter 13 plan and pay back 100% of her priority creditors and 15% of her unsecured creditors within three years. Faye did not list her spouse's income on bankruptcy documents but indicated \$2,500 per month in expenses for her ten-year-old child. Judge Lax granted the motion to dismiss. Handled by MaryAnne Wilsbacher, Trial Attorney.

⇒ On November 20, 2001, Judge Mund converted the case of Kristin Anne Hughes to a chapter 13. The debtor, a student who lives with her mother, had disposable income of more than \$1,000. This amount would provide sufficient income to fund a chapter 13 plan and pay between 80 to

100% of her unsecured creditors within three to five years. Handled by MaryAnne Wilsbacher, Trial Attorney.

⇒ After a four-hour evidentiary hearing on December 27, 2001, the U.S. Trustee prevailed in a 707(b) action against Soroush Janamian. The debtor used 36 credit cards to incur over \$283,000 in credit card debt within a few years of filing bankruptcy. Because his income was less than \$6,000 per year, Janamian had no ability to repay the debt nor any reasonable prospects for repayment. The court dismissed the case with prejudice. Handled by MaryAnne Wilsbacher, Trial Attorney.

⇒ Gerald and Gloria Johnson indicated in their bankruptcy documents monthly disposable income of \$2,049 with only \$31,000 in debts. Their case was dismissed upon motion by the UST. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

⇒ Michael Morgan had \$1,700 more in monthly income than what he listed on his bankruptcy schedules. The case was dismissed based on the UST's motion. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

⇒ The payroll stubs of the debtors, Richard and Rose Ogas, showed \$1,500 more in income than they listed in their bankruptcy documents. The debtors also listed a car payment twice and claimed their daughter's vehicle expense. If these adjustments were made, the debtors could pay 140% of their claims in 36 months. The case was dismissed. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

⇒ Tom and Sharon Parker filed a chapter 7 petition showing fairly modest income and expense amounts. Eliminating the voluntary

retirement contribution and a land contract expenditure, the Parkers would have been able to fund 100% of a chapter 13 plan. The case was dismissed. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

⇒ Before filing bankruptcy, the debtors Mario Ramos and Virginia Gomez purchased a 2001 Chevrolet Yukon for \$38,500, which had a monthly payment of \$689. They already owned a 2000 Chevrolet Suburban. If their new car payment was cut in half, the debtors could have paid 125% of their scheduled debts. The case was dismissed. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

⇒ On November 5, 2001, Judge Riblet granted the U.S. Trustee's 707(b) motion after discovering the debtors, Cary and Joyce Samuels, were devoting 35% of their gross income to educate and support their four children, three of whom are adults who were living overseas. In addition, the debtors had annual income in excess of \$140,000. Handled by MaryAnne Wilsbacher, Trial Attorney.

⇒ Gloria Sanchez filed an individual chapter 7 case which showed no real net income. At the meeting of creditors she testified under oath that she had not disclosed her disability income of more than \$2,000 a month from her previous employment as a police officer. She had also not disclosed that she had shared expenses with her partner of 17 years. The court dismissed the case with prejudice. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

⇒ Roland Tangco filed a case showing a monthly loss of \$775. At the meeting of creditors, Tangco testified under oath that

his spouse's expenses were included. If these expenses as well as recreation costs and payments made on his parents' loan were removed, the debtor could pay 100% under a chapter 13 plan. The case was dismissed. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

UST Community Outreach and Education Programs

UPCOMING EVENTS:

****Monthly Continuing Education Program**** ****for Consumer Debtor Attorneys****

The Office of U.S. Trustee is offering a monthly continuing education program for consumer debtor attorneys. The focus is on improving consumer representation. The programs are **free** and take place from noon to 1:00 p.m. in the 341(a) meeting rooms of the Los Angeles U.S. Trustee's Office. The speakers are a mix of consumer debtor counsel, panel trustees, chapter 13 trustees, and bankruptcy judges. Written materials are provided with each program. The LABF has agreed to co-sponsor the program which permits us to offer one hour of MCLE credit to the participants.

Time: 12 noon to 1 p.m. (bring lunch!)
Location: 221 North Figueroa St., L.A.
UST meeting rooms, 1st floor
Hotline #: (213) 894-4521

February 14, 2002

Exempting Pensions and IRAs

Speakers: David Hagen, consumer counsel
Helen Frazer, Ch. 7 Panel
Trustee

March 7, 2002

A Judge's Perspective on Reaffirmation Agreements and a Walk through the Local Rules

Speaker: The Honorable Thomas B.
Donovan

April 18, 2002

Hot Topics in Chapter 13

Speakers: Edwina Dowell and Nancy Curry
Chapter 13 Standing Trustees

TRUSTEE HONORED FOR COMMUNITY ACTIVITIES

Karl T. Anderson, Chapter 7 Panel Trustee in Riverside, was presented the Distinguished Citizen 2001 Award on October 27, 2001. He was given the award for his service on the Executive Council of the Boy Scouts of America and his record-setting fundraising for the Boy Scouts. Karl is also a Director for United Way, actively participates with Park Stewardship for the Arts and Joshua Tree National Park, and holds memberships in the Desert Round Table, The Lincoln Club, and the Palm Springs Chamber of Commerce. Whew!!
Congratulations Karl!!

DENISE TUCKER WITH THE OFFICE OF THE U.S. TRUSTEE APPOINTED TO BOARD OF DIRECTORS

Paralegal Specialist Denise Tucker of the Los Angeles U.S. Trustee's Office was appointed to the Board of Directors of the Los Angeles Paralegal Association.
Congratulations Denise!

September 20th through the 22nd at the Rancho Las Palmas Marriott Hotel in Rancho Mirage, California, for chapter 13 and standing trustees. Gordon Bermant, a leading expert in the area of "best practices" in chapter 13 and consultant to the Executive Office for U.S. Trustees, provided an all-day presentation on September 20th. Judge Thomas Donovan joined us for a lively discussion of chapter 13 issues. The Honorable David Naugle, along with trustees Karen Naylor, Bob Goodrich, and Ed Wolkowitz, highlighted the chapter 7 portion of the program in a panel discussion of recent cases of interest. Other panel discussions included realizing value from odd-ball assets, finding hidden assets, civil enforcement initiatives, and the status of the proposed bankruptcy legislation. On Friday, Dr. Leslie Reisner gave a lunchtime presentation on reducing stress in a legal environment. The seminar concluded Friday evening with a lovely dinner at the Marriott's Star Light Terrace Restaurant.

The Chapter 7 Panel Trustees for Orange County are shown in the photo below as follows (from left to right):

Ted Albert, Jim Joseph, Weneta Kosmala, Richard Marshack, Karen Naylor, Chuck Daff, Jack Wolfe, and Tom Casey.

TRUSTEE SEMINAR

The Office of the U.S. Trustee's annual retreat and educational seminar was held on

TRUSTEE PROFILE

Profile Of Norman Hanover

By Wendy Carole Sadovnick

Norman Hanover's roots run deep in San Bernardino County. He was born in Chicago and at the age of three his family moved to San Bernardino, the place that Norman calls home.

When Norman was an undergraduate at UCLA, he had not yet considered a legal career. While he sat in his frat house during his junior year, Norman was asked by a friend to drive him to Loyola University for the law school entrance exam. At that time, each law school gave its own qualifying exam (the LSAT was not yet in existence). The scholastic prerequisite was three years of college. On a whim, Norman took the entrance exam. How ironic that Norman was accepted and his friend was not. The idea of going to law school was more attractive to Norman than the prospect of finding work after one more year of college. Norman showed his aptitude for the law and proved to be an ace student graduating 3rd in his class at the age of 23.

After law school, Norman returned to San Bernardino, married, and began his first job as a general practitioner in a law firm for a mere \$506 a month. In 1972, working as a solo practitioner in the Arrowhead building that also housed the Bankruptcy Court, Norman took a bankruptcy trustee position on recommendation from a referee. During this time, Norman also served as a state court receiver. In 1986, when bankruptcy filings increased significantly, Norman devoted his practice exclusively to bankruptcy. Norman assisted in founding the Inland Empire Bankruptcy Forum and facilitated its association with the California Bankruptcy Forum. Norman held the position of president in both of these organizations.

One of his most memorable moments as a trustee was with Judge Naugle during the Peppertree Inn bankruptcy in 1979. At this time, judges had to countersign all checks written by a trustee. Judge Naugle, a fairly new appointee, who had heard rumors about dubious activities at the hotel, called Norman in for questioning. Cutting to the chase, the Judge asked if he was renting rooms by the hour. Norman quickly replied "No your honor, but if that would increase revenue, I'll do it!"

The most rewarding and challenging case in his career was the Jess Ranch bankruptcy case, filed in 1982. As the appointed Chapter 11 trustee, Norman had to manage the \$10 million of debt in this case. Norman navigated the case through a plan and final decree by liquidating property at market value. The result was that all creditors were paid in full and the estate was returned to the debtor, without any liabilities remaining.

Norman acutely realizes that a successful trustee is only as good as his support staff. He is full of praise for his administrator, Pam, who has worked for him for 24 years. Norman's accountant has been with him for 13 years and the most junior member of his staff has been with him for 5 years.

Away from work, Norman is an avid golfer and has played at all of the great courses up and down the coast. Family life revolves around his grandkids. He also enjoys a good game of gin rummy and travels abroad every year.

Just recently, Norman merged his practice with Reid & Hellyer, a firm established in San Bernardino in 1897. He has recently moved to working at home three days per week. The merger has freed Norman from the administrative aspects of managing a law firm.

Upgrading the level of practice within the bankruptcy bar is important to Norman. He is an advocate for an internship program for law school graduates, similar to that for doctors. Although Norman sees a legal internship only lasting three to four months, he feels that the experience would ultimately improve lawyering skills as well as provide invaluable exposure to the administrative side of the law.

Norman also feels strongly about "holding the feet of debtors' attorneys to the fire." Specifically, this relates to the accurate preparation and filing of the petition and schedules by debtors' attorneys. In his role as trustee, he reminds attorneys quite often of their duties and responsibilities as enumerated in Rule 9011.

Ever the optimist professionally and personally, Norman sets a high standard for himself and his colleagues. Still enthusiastically practicing law, Norman cannot even envision retiring, but wants to keep one active foot in the door.

Worthy Websites for Fraud Watchers

Websites for locating business:

www.hoovers.com
<http://biz.yahoo.com/news>
www.offshorebusiness.com
www.sec.gov/edgarhp.htm



CRIMINAL FRAUD ACTIVITY

Activity in the U.S. Trustee's Fraud Unit for 2001 was as follows:

Total # of Complaints Rec'd	482
Total # of Criminal Referrals	459
Referrals by Allegations:	
Identity Theft	125
Concealed Assets	163
False Statements	164
Other	152

PETITION PREPARER NEWS



LOS ANGELES COUNTY BAR REPORT

The Los Angeles County Bar Association's Bankruptcy and Commercial Law Section has issued a comprehensive report regarding bankruptcy petition preparers and unrepresented debtors in the Central District of California entitled Bankruptcy Petition Preparers and the Unauthorized Practice of Law Study. The entire report is available for review on the Section's page at www.lacba.org.

NUMEROUS 110 ACTIONS

The Office of the U.S. Trustee filed over 300 motions during 2001 for petition preparer violations (11 U.S.C. § 110) in the Central District of California. Some highlights follow:



Orders Finding Unauthorized Practice of Law

Eight motions (handled by Ron Maroko, Trial Attorney) involved the unauthorized practice of law by these individuals:

- C.K. Hemming
- Bert Babero
- Patricia Hoyte (two findings)
- B.G.P.P., Inc.
- Irvin Madison
- Rudy Sandoval/We the People
- Terry Standifer/Legal Ease

Forty Injunctions Obtained

Forty injunctions were obtained for such activities as using the word "legal" as part of a business name, for failure to pay previous fines and disgorgements, and for failure to disclose involvement as a petition preparer.

- Includes an injunction against **Rosemarie**

Endara/A-Action Paralegals for overcharging clients and purportedly having an attorney sign petitions. (Handled Joe Caceras & Russell Clementson, Trial Attorneys.)

DOUBLE ACTIONS AGAINST A-1

Maurice Jackson and A-1 Legal Services failed to obey a court order of July 26, 2001, to disgorge compensation of \$150 and to pay a \$1,000 fine for U.S. Bankruptcy Code Section 110 violations. Upon the U.S. Trustee's application for a contempt citation, the court issued a nationwide injunction preventing Jackson from acting as a bankruptcy petition preparer.

In the second case, **Annette Jaramillo** and **A-1 Paralegal Centers** failed to obey the court's July 26, 2001 order to disgorge compensation of \$250 and pay a fine of \$500. Upon the U.S. Trustee's application for a contempt citation, and with judicial notice of two other unpaid disgorgement orders issued by different judges, the court issued a nationwide injunction preventing Jaramillo from acting as a bankruptcy petition preparer and sanctioned her \$3,000.

DEBT SOLUTIONS STIPULATES TO A \$1000 FINE AND PERMANENT INJUNCTION

Debtors paid nearly \$1,700 to **Debt Solutions** ("the company") for help with handling finances. After the company provided ineffective assistance, the debtors decided to file bankruptcy. In lieu of refunding the \$1,700, the company offered to prepare the bankruptcy documents. The debtors asserted that their names were forged on four different documents. Lisa Rosenthal, an attorney for the company, never disclosed her role as legal advisor on the bankruptcy documents. In addition to Debt Solutions stipulation of a \$1,000 fine

and a permanent injunction, Rosenthal agreed to a fine. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

SANCTIONS IMPOSED AGAINST KENNETH IREK AND POCKET LAWYER LEGAL SERVICES

Judge Kathleen Lax found that petition preparer **Kenneth Irek** violated 11 U.S.C. § 110 through use of the words "legal," "lawyer," and/or similar terms and in collecting cash for the bankruptcy court filing fee. Judge Lax barred him from using such legal terms in future advertising and/or letterhead involving bankruptcy assistance. She also prohibited him from receiving cash payments for court filing fees from any potential debtor. Handled by MaryAnne Wilsbacher, Trial Attorney.

WILLIE FUERTES AND STRONG & ASSOCIATES HELD IN CONTEMPT FOR FAILURE TO OBEY A DISGORGEMENT ORDER

Willie Fuertes, petition preparer, lost at the appellate level on an order to disgorge fees of \$100 under 18 U.S.C. § 110. On August 8, 2001, after Fuertes failed to comply with the disgorgement order, the U.S. Bankruptcy Court sanctioned him \$3,000 and permanently enjoined him from acting as a bankruptcy petition preparer in the Central District of California. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

ROBERT MELENDREZ FAILS TO PAY AS ORDERED

Bankruptcy petition preparer **Robert Melendrez** charged excessive fees and did not disclose the actual monies received in bankruptcy documents. The court ordered him to disgorge his client fees and to pay a sanction, a total of \$500, and prohibited him from preparing any further bankruptcies until this was paid. Melendrez failed to pay the

\$500 by the court ordered date and, on November 8, 2001, prepared and filed another bankruptcy in violation of the court's order. The United States Trustee filed an application for order to show cause why Melendrez should not be held in contempt for his willful violation of the court's order. On February 5, 2002, Melendrez appeared in court and agreed to an order permanently enjoining him from serving as a bankruptcy petition preparer. Melendrez indicated after the hearing that he wanted to clear this matter up because he intends on going to law school.

\$1000 DISGORGEMENT AND \$500 FINE ORDERED FOR LUIS SALAS AND PROSUCCESS COMPANY

Luis Salas, petition preparer, only disclosed \$200 on bankruptcy documents for services rendered but charged the debtor \$1000. Judge Naugle not only ordered disgorgement of these fees but a \$500 fine as well. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

NICK FATICA ORDERED TO DISGORGE FEES; ALSO FINED AND ENJOINED

Petition preparer **Nick Fatica** failed to identify himself as the BPP in a bankruptcy and collected \$800 in fees for his assistance. Judge Goldberg order him to disgorge \$600, fined him an additional \$500, and enjoined him from acting as a BPP in the Riverside area. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

SECOND INJUNCTION FOR JAMES COLE

Although he was paid \$5,350 for his assistance as a petition preparer, James Cole only disclosed \$200 for services rendered in bankruptcy documents. Judge Goldberg ordered Cole to fully disclose the amount received, fined him \$500, and enjoined him for the second time from serving as a petition preparer. Handled by Gary Dyer, Assistant U.S. Trustee, and Tim Farris, Trial Attorney.

BILLY SPENCE RECEIVES PERMANENT INJUNCTION

On January 24, 2002, the U.S. Bankruptcy Court ordered **Billy Spence** and **California Law** to disgorge fees of \$400 and to pay a fine of \$1,000. Spence was also permanently enjoined from acting as a petition preparer. Spence took compensation from a client in order to prepare bankruptcy documents, advised the client that he had filed the case and that she did not need to attend bankruptcy hearings, but never provided her with copies of the bankruptcy documents. When Spence's phone was disconnected and the client could not find him, she filed for bankruptcy with the assistance of counsel, who advised the U.S. Trustee of the situation. In addition, Spence had filed his own bankruptcy case in which he omitted certain debts, creditors' addresses, prior residences, and his prior bankruptcy cases. Upon the U.S. Trustee's motion to dismiss Spence's case with prejudice, heard also on January 24, 2002, the court granted the motion and denied him a discharge of all his debts.
